

# Office of the City Auditor City of San Diego

## **Fraud Hotline Update FY2011 Quarter 2 (October 2010 – December 2010)**

**Audit Committee, February 7 , 2011**



# Legislative Changes Impacting the Fraud Hotline Complaint Process

## Statutory Authority (effective 1/01/2011) CA Government Code Sections

- **53087.6. (a) (1)** A city, county, or city and county **auditor** or controller who is elected to office may maintain a whistleblower hotline to receive calls from persons who have information **regarding fraud, waste, and abuse** by local government employees.
- Replaces...regarding possible violations by local government employees of state, federal, or local statutes, rules or regulations.

# Legislative Changes Impacting the Fraud Hotline Complaint Process

*New definition:*

- **53087.6. (f) (2) "fraud, waste, or abuse"** means any activity by a local agency or employee that is undertaken in the performance of the employee's official duties, including activities deemed to be outside the scope of his or her employment, that:
  - ♦ is in violation of any local, state, or federal law or regulation relating to **corruption, malfeasance, bribery, theft of government property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, misuse of government property, or willful omission to perform duty,**
  - ♦ is economically wasteful, or
  - ♦ involves gross misconduct.

# Legislative Changes Impacting the Fraud Hotline Complaint Process

## Confidentiality of Hotline Communications

- **53087.6. (e) (2) Any investigative audit conducted pursuant to this subdivision shall be kept confidential, except:**
  - to issue any report of an investigation that has been **substantiated**,
  - to release any findings resulting from a completed investigation that are deemed necessary to **serve the interests of the public**.
- **In any event, the identity of the individual or individuals reporting the improper government activity, and the subject employee or employees shall be kept confidential.**

# Hotline Activity

## First & Second Quarters, Fiscal Year 2011

Category: Fraud	Qtr 1 Jul- Sep	Qtr 2 Oct- Dec	Sub- total	% of City- Related Total	City Auditor	Referred to Dept	Non-City
Accounting/Audit Irregularities	2	0	2	5.1%	2	0	0
Fraud	4	1	5	12.8%	2	1	2
Fraudulent Insurance Claims	1	0	1	2.6%	0	1	0
Theft of Goods/Services	2	2	4	10.3%	0	3	1
Theft of Time	2	0	2	5.1%	0	2	0
Waste and Abuse	0	2	2	5.1%	1	1	0
<b>Subtotal Fraud</b>	<b>11</b>	<b>5</b>	<b>16</b>	<b>41.0%</b>	<b>5</b>	<b>8</b>	<b>3</b>
<b>Subtotal Non-Fraud</b>	<b>12</b>	<b>11</b>	<b>23</b>	<b>59.0%</b>	<b>3</b>	<b>14</b>	<b>6</b>
<b>Total Complaints FY11</b>	<b>23</b>	<b>16</b>	<b>39</b>	<b>100.0%</b>	<b>8</b>	<b>22</b>	<b>9</b>

# Hotline Activity

## First & Second Quarters, Fiscal Year 2011

Category: Non-Fraud	Qtr 1 Jul- Sep	Qtr 2 Oct- Dec	Sub- total	% of City- Related Total	City Auditor	Referred to Dept	Non-City
Employee Relations	1	2	3	7.7%	0	3	0
Customer Relations	0	4	4	10.3%	0	2	2
Policy Issues	4	4	8	20.5%	3	4	1
Retaliation of Whistleblowers	3	0	3	7.7%	0	1	2
Safety Issues and Sanitation	1	0	1	2.6%	0	0	1
Substance Abuse	1	0	1	2.6%	0	1	0
Wage/Hour Issues	2	0	2	5.1%	0	2	0
Workplace Violence/Threats	0	1	1	2.6%	0	1	0
Subtotal Non-Fraud	12	11	23	59.0%	3	14	6
Subtotal Fraud	11	5	16	41.0%	5	8	3
Total Complaints FY11	23	16	39	100.0%	8	22	9

# Source of Hotline Complaints

FY	Anonymous		Identified		Total
2009	69	49%	71	51%	140
2010	28	46%	33	54%	61
2011	16	41%	23	59%	39

# Hotline Activity, 1<sup>st</sup> Quarter FY 2011 and Open Complaints from Previous Year

- As reported, 16 complaints were made to the Hotline between October 2010 and December 2010.
- In addition, at the end of the previous quarter, 24 complaints remained open and unresolved for a total of 40 complaints.
- The following table shows the status of these 40 complaints.



# Hotline Activity, October 2010 – December 2010 and Open Complaints from Previous Qtr

Complaint Status	City Auditor Investigations	Referred to Dept	Sub-Total	Percent (City Operations Only)	Not Related to City Operations	Total
Complaints Unresolved 9/30/2010	10	13	23		1	24
Complaints Received in 2nd Qtr	2	10	12		4	16
Subtotal	12	23	35		5	40
Complaints Closed	-5	-19	-24		-5	-29
Substantiated/Corrective Action	3	6	9	37.5%	0	9
Unsubstantiated	2	13	15	62.5%	5	20
Complaints Unresolved 12/31/2010	7	4	11	NA	0	11

# City Auditor Fraud Hotline Complaint Investigation Summary

Call Category	General Description of Complaint	Outcome / Status
<b>Fraud 113304452</b>	<b>Allegation of lack of fiscal control in managing City contracts</b>	<b>Complaint found to be Substantiated</b>
<b>Customer Relations 901135085</b>	<b>Allegation of lack of coordination of projects that require street excavation</b>	<b>Included in the Streets Performance Audit Corrective Action Taken</b>
<b>Customer Relations 905074206</b>	<b>Allegation of lack of coordination of projects that require street excavation</b>	<b>Included in the Streets Performance Audit Corrective Action Taken</b>
<b>Fraud 114220637</b>	<b>Allegation relates to City contract bidding irregularities</b>	<b>City RFP canceled, No Further Action Necessary</b>
<b>Policy Issues</b>	<b>Allegation relates to City responsibility for Brush Management</b>	<b>Complaint Found to be Unsubstantiated</b>

# Fraud Hotline Complaints Referred to the Departments that resulted in Corrective Actions

Call Category	General Description of Complaint	Outcome / Status
<b>Theft of Time 114155112</b>	<b>Allegation relates to conducting personal recreation activities while on City duty</b>	<b>The department modified physical training approval procedures and disciplined employee.</b>
<b>Retaliation of Whistleblowers 114371905</b>	<b>Allegations of complaints and cross-complaints between an employee, co-workers , and a supervisor</b>	<b>Although retaliation could not be substantiated, higher level supervisors conducted meetings with involved employees and all were required to review office policies, roles, and responsibilities.</b>
<b>Discrimination 908133820</b>	<b>Allegation relates to discrimination of non-minority patrons at City facility</b>	<b>Although discrimination could not be substantiated, the department improved due diligence in outreach and inclusion activities.</b>
<b>Employee Relations 114191084</b>	<b>Allegation relates to the manner in which employees were selected for overtime assignments</b>	<b>The department modified overtime request and approval procedures, increasing level of authorization for overtime.</b>
<b>Theft of Goods/Services 114191126</b>	<b>Allegation relates to use of City computer for inappropriate personal matters</b>	<b>An analysis of employee's computer determined inappropriate sites were visited before shift started or after shift ended. Disciplinary action is pending.</b>
<b>Employee Relations 114596796</b>	<b>Allegation relates to the manner in which employees were selected for overtime assignments</b>	<b>The department revised procedures to increase specificity regarding nature of overtime work needed.</b>

# Conclusion

Fraud Hotline (866) 809-3500